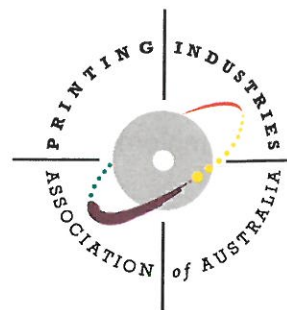


20 November 2014

Competition Policy Review Secretariat
The Treasury Langton Crescent
PARKES ACT 2600

www.competitionpolicyreview.gov.au



Dear Professor Harper,

Submission in response to the Competition Policy Review – Draft Report

Overview

Please find attached a response to the Competition Policy Review - Draft Report by the Printing Industries Association of Australia (*Printing Industries*) on behalf of the print, communication and information industries.

Our sector is facing significance challenges as traditional business models adjust to new technologies and the emergence of the digital economy.

The Association acknowledges that this review is focussed on the benefits of fostering competition. It supports the six attributes of competition policy the Committee has recommended as 'fit for purpose'. These are:

- focuses on making markets work in the long-term interests of consumers;
- fosters diversity, choice and responsiveness in government services;
- encourages innovation, entrepreneurship and the entry of new players;
- promotes efficient investment in and use of infrastructure and natural resources;
- includes competition laws and regulations that are clear, predictable, and reliable; and
- secures necessary standards of access and equity.

However, all industries are not the same and some Government intervention may be justified to support legitimate areas of need.

In our submission to the initial Discussion Paper we referred to Recommendation 32 of the Commission of Audit Report. This acknowledged **“that limited assistance to areas of genuine market failure and occasional transitional assistance to deal with genuine structural change is justified when the benefit of government intervention outweighs the costs”**.

We are therefore disappointed that the draft report does not appear to consider the type of assistance that should be provided to industries in transition to help them promote the proposed six “fit for purpose” attributes. This is particularly important in industries where there are a large number of small operators.

We believe that further work is required to provide guidance on when and how Government intervention is justified in the public interest.

Printing Industries
Association of
Australia

ABN 84 720 646 451

25 South Parade
Auburn NSW 2144
Australia

PO Box 234
Auburn NSW 1835
Australia

Telephone
+61 2 8789 7322

Fax
+61 2 8789 7387

Email
bill@printnet.com.au

WWW
<http://www.printnet.com.au>



Printing industries notes that the Review Panel endorses competition policy that focuses on making markets work in the long-term interests of consumers. The Panel has recommended seven principles to guide the Commonwealth, state and territory and local governments in implementing competition policy.

These principles should be applied unless the costs outweigh the benefits. In addition any legislation or government policy restricting competition must demonstrate that:

- it is in the public interest; and
- the objectives of the legislation or government policy can only be achieved by restricting competition.

This submission addresses two specific areas in the report relevant to our industry. These are:

- Parallel Importing and a Sustainable Australian Book Industry
- The Monitoring of Government Trading Enterprises

Parallel Importing and a Sustainable Australian Book Industry

Two of the proposed competition principles state:

- legislative frameworks and government policies binding the public or private sectors should not restrict competition;
- governments should promote consumer choice when funding or providing goods and services and enable informed choices by consumers;

The Review Panel suggested the following in relation to parallel import restrictions:

- they are similar to other import restrictions (such as tariffs) in that they benefit local producers by shielding them from international competition.
- they are effectively an implicit tax on Australian consumers and businesses.
- their removal would promote competition and potentially lower prices.
- that consumer safety, counterfeit products and inadequate enforcement) could be addressed directly through regulatory and compliance frameworks and consumer education campaigns.

Printing Industries contends that the current market in the Book Industry is competitive and provides choice and lower prices to consumers. We therefore submit:

- There is a public interest in maintaining parallel import restrictions
- current arrangements do not restrict competition, and
- any other intervention to support the industry would be more costly or burdensome than the current arrangement.

Public Interest

The Association believes it is in the public interest to maintain the current parallel importing arrangement for books because:

- there is a highly competitive market which does not disadvantage consumers,
- it supports the maintenance of a vibrant creative industry,
- sections of the book supply chain are undergoing significant structural change

The Australian community has a vested interest in the maintenance of a viable and sustainable local book industry. Printers play a key part in a sector that generate \$2.3 billion in sales and employs approximately \$25,000.

A government Inquiry into the sector in 2011 provided a road map for the future of the book supply chain Australia. This set the following vision for the Australian book industry:

To ensure that the Australian book industry is innovative, prosperous and sustainable for the long term, develops Australian creators and creative works and encourages investment in new technologies.

A key element of this Inquiry was a decision to introduce a voluntarily code to vary the parallel importation restrictions (PIR) within the Copyright Act. Recommendation 4 of the report related to the parallel importation of books and stated:

That the Australian book industry (authors, printers, publishers and booksellers) formalise an agreed, industry-wide code of practice that will reduce the timeframe for retention of territorial copyright from 30/90 days to 14/14 days without the need to amend existing legislation.

This voluntary arrangement has been in place for just over 2 years and the respective parties have indicated ongoing support for the Code. The Code is underpinned by the current law and believes its success is dependent on the retention of the existing provisions in the Copyright Law.

The recommendations of the Book Strategy Report and the implementation of the 14:14 day voluntary code have led to significant investment in new printing equipment. This is based on the assumption that the existing regulatory arrangements will be maintained for a reasonable period. (eg: one company has invested \$13 million in new equipment).

The two major printing facilities in the country are located in low socio economic, regional communities. They are the major employers in those areas. Removal of current arrangements in relation to parallel imports would place significant pressure on the ongoing viability of these businesses and the jobs they provide.

Restricting Competition

The draft report acknowledged that changing technology is shifting consumer purchasing practices. The move to digital books and on line purchasing, generally from overseas, have significantly increased the intensity of competition in the book market. Overseas books for example are sold free of GST. Consumers now have many more choices when seeking to purchase than in previous years.

This challenges the view that the mere removal of any remaining parallel import restrictions would promote competition and potentially deliver lower prices for books.

Advocates of the removal of parallel importing of books often refer to a 2011 Productivity Commission inquiry into this area. This review found that a 2007-08 price comparisons from selection of around 350 trade books sold in Australia were on average 35 per cent more expensive than editions sold in the US (after accounting for the effects of GST). In many cases, the price difference was greater than 50 per cent.¹

This is no longer the case. Research contained in the response to the Draft Report by the Australian Publishers Association confirms that this difference has significantly reduced.

Their submission also notes ***“the Australian publishing industry is the most successful creative industry in Australia. It is not government supported through grants and has not sought the refuge of tariffs in imported goods. The industry has not just survived but thrived in a competitive market – and is increasingly positioned as an exporter of innovative educational content and great Australian writers to the world.”***

¹ Productivity Commission 2009, [Restrictions on the Parallel Importation of Books, Research Report](#), page XVIII.

Alternative Interventions

The Book Industry Strategy acknowledged that there would be on going challenges in maintaining a viable domestic book industry and made a number of recommendations to address these.

The voluntary code relating to parallel importing is tangible evidence of an industry taking charge of its own destiny.

It is likely that some form of direct Government support would be required if the law was changed. It would be illogical to replace the current arrangement with direct Government intervention.

In *Printing Industries'* submission to the Discussion Paper we suggested that the ongoing viability of the industry would require the following things to be implemented if there was to be any changes to restrictions on the parallel Importing of books

- Any proposed changes to current arrangements need to take account of the specific needs and history of particular industries.
- Recommendations must factor in time to enable an appropriate period of industry adjustment – this is recognised in the report.
- Compensation should be paid to companies who suffer financial loss due to the removal of parallel import restrictions.
- Any decision must take account of the impact of any changes on the total supply chain

The application of such principles would impose an increased regulatory burden and cost on the industry and the broader community. This suggests retaining the supposed “restrictions on competition” through the maintenance of parallel importing is the best available option to support the industry.

The Monitoring of Government Trading Enterprises

Printing Industries raised a number of issues in relation to the operations of Australia Post in its submission to the Discussion Paper.

In particular we detailed concerns with the level of Bulk Letter Price increases since the government removed third party oversight of price increase by the ACCC in 2012.

The behaviour of Australia Post has reinforced the importance of third party oversight of Government monopolies in the promotion of efficient pricing and the protection of consumers.

Printing Industries believes the Australia Post experience strongly supports the following Competition Principles recommended in the Draft Report:

1. governments should separate remaining public monopolies from competitive service elements, and also separate contestable elements into smaller independent business activities;
2. government business activities that compete with private provision, whether for-profit or not for profit, should comply with competitive neutrality principles to ensure they do not enjoy a net competitive advantage simply as a result of government ownership;
3. independent authorities should set, administer or oversee prices for natural monopoly infrastructure providers.

In relation to 3 above we believe this principle should extend beyond monopoly infrastructure providers to all Government monopolies as was recommended in the Hilmer review.

Conclusion

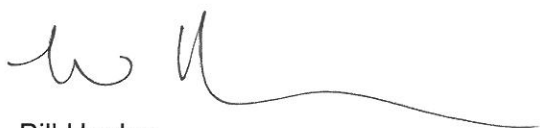
The draft report provides a comprehensive analysis of a range of areas of critical importance to the long term economic and social future of Australia. The Review Panel and support team should be commended for the breadth and depth of the issues addressed under the review.

Printing Industries accepts that our submission may appear to be targeted at two specific issues of relevance to our industry. However, as a sector undergoing significant change we maintain that a rigid "one size fits all approach" in relation to competition may not be in the best interests of a particular industry and its customers.

The challenge is to find the balance between theory and practice that leads to demonstrable and tangible economic and social benefits for all Australians.

Please contact me if you would like to discuss any of the issues in this submission. I can be contacted on bill@printnet.com.au or 0419627693.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bill Healey', followed by a long, horizontal, wavy line that extends to the right.

Bill Healey
CEO

